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C O N F I D E N T I A L MOSCOW 0936

LIMDIS

E.O. 11652: GDS

TAGS: ETRD PFOR US UR

SUBJECT: FURTHER OFFICIAL SOVIET COMMENT ON TRADE BILL

REF: MOSCOW 0883

1. SUMMARY: IN UNSOLICITED FLOW OF COMMENTARY AT SPASO HOUSE USIS FILM SHOWING JAN 21, THREE SOVIET OFFICIALS INTIMATELY INVOLVED IN US-USSR ECONOMIC/TRADE RELATIONS INDICATED THAT LEVEL OF BILATERAL TRADED HEADED FOR DECLINE. THIS LARGELY DUE TO NON-AVAILABILITY OF EX-IM BANK FUNDS RATHER THAN POLITICAL CAUSES. AT SAME TIME, USSR HOPES TO DEVELOP AS MUCH TRADE WITH US AS POSSIBLE WITHIN PRESENT MORE-LIMITED FRAMEWORK OF ACTIVITY. END SUMMARY

2. EMBOFF, IN SEPARATE CONVERSATIONS WITH THREE SOVIET
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OFFICIALS AT SPASO RECEPTION, FOUND THAT EACH TURNED

DISCUSSION TO SUBJECT OF SOVIET REFUSAL ACCEPT TERMS OF TRADE BILL AND CONSEQUENCES OF THAT ACTION. N.V. ZINOV'YEV, CHIEF OF MINISTRY OF FOREIGN TRADE (MFT) ADMINISTRATION FOR TRADE WITH COUNTRIES OF THE AMERICAS, STATED THAT WHILE USSR HAD EAGERLY SOUGHT CLOSE TRADE LINKS WITH US ("WE HAD INSTRUCTED OUR TRADE ORGANIZATIONS TO PAY SPECIAL ATTENTION TO THE UNITED STATES AS A SUPPLIER OF EQUIPMENT"), NOW TO A CONSIDERABLE EXTENT USSR HAS "LOST THESE INTENTIONS" (MY POTERYALI ETI NAMERENIYA). AT POLITICAL LEVEL, CONTINUED ZINOV'YEV, CONGRESSIONAL ACTION HAS HAD NEGATIVE EFFECT ON OVERALL DETENTE-INSPIRED RELATIONS. ZINOV'YEV EXPECTS LEVEL OF BILATERAL TRADE TO DIMINISH SHARPLY, AS US BECOMES LESS COMPETITIVE WITH OTHER COUNTRIES DUE TO NON-AVAILABILITY OF EX-IM FUNDS FOR PROVIDING LOW-INTEREST BLEND IN COMMERCIAL CREDIT TRANSACTIONS. HE CONCLUDED BY NOTING THAT "OUR MINISTRY, I REPEAT, OUR MINISTRY" (I.E., MFT) CONTINUES TO FAVOR DEVELOPMENT OF TRADE WITH US FIRMS BUT ONLY WHEN IT IS CLEARLY TO ECONOMIC ADVANTAGE OF USSR TO DO SO.

3. S. B. CHETVERIKOV, COUNSELOR AND CHIEF OF BILATERAL SECTION IN USA DIVISION OF MFA, NOTED THAT WHILE CONGRESSIONAL ACTION WAS "MOST UNFORTUNATE" SOVIET SIDE IS HOPEFUL THAT IN TIME CONGRESS WILL TAKE CORRECTIVE MEASURES WHICH WOULD BE MORE ACCEPTABLE TO USSR. CHETVERIKOV SAID HE HAD HEARD REPORTS THAT SOME US COMPANIES WITH ACCREDITED MOSCOW OFFICES ARE CONSIDERING CLOSING THEM DOWN AS NOT NOW BEING WORTH EXPENSE REQUIRED TO MAINTAIN THEM. HE HOPES THAT WILL NOT HAPPEN, AND CERTAINLY, HE STRESSED, SOVIETS WILL TAKE NO UNILATERAL ACTION TO FORCE CLOSURE OF ANY OF THESE OFFICES. IN THAT REGARD, CHETVERIKOV POINTEDLY EXPRESSED HOPE THAT USG DOES NOT PLAN TO CLOSE DOWN COMMERCIAL OFFICE IN MOSCOW. HE ALSO FORESEES DOWNTURN IN BILATERAL TRADE DUE TO CREDIT PROBLEM AND NOTED THAT NEGOTIATIONS WITH BOEING FOR PURCHASE OF SEVERAL 747S--WHILE AT ADVANCED STATE--ARE IN CONSIDERABLE JOEPARDY FOR THAT REASON.

4. USA INSTITUTE ECONOMIST YURIY BOBARKOV OPINED THAT CONGRESSIONAL ACTION (AND SOVIET REACTION) WILL HAVE DIRECTLY NEGATIVE EFFECT ON TROUBLED US ECONOMY. HE ALLEGED THAT USSR HAD OFFERED CONSIDERABLE "AID" TO US FOR SOLVING ITS CONFIDENTIAL

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ECONOMIC PROBLEMS BY OFFERING JOINT PARTICIPATION IN LARGE-SCALE MINERAL FUELS AND ENERGY-INTENSIVE INDUSTRY DEVELOPMENT IN SIBERIA. THESE NOW LOOK MOST DOUBTFUL, HE CONCLUDED, LARGELY DUE TO ABSENCE OF LOW-COST CREDITS FOR SUCH PROJECTS.

5. COMMENT: WITH EXCEPTION OF ZINOV'YEV'S COMMENTS (WHICH USUALLY TEND TO FALL INTO SOUR GRAPES CATEGORY) THESE

REMARKS AND TONE OF THEIR DELIVERY APPEARED TO INDICATE
GUARDED OPTIMISM ON PART OF AT LEAST SOME SOVIETS THAT
CONGRESS MAY AGREE TO SOME SORT OF "REARRANGEMENT" IN NEXT MONTHS
WHICH USSR WOULD BE ABLE TO ACCEPT. IT IS ALSO NOTEWORTHY
THAT THESE SOVIETS SEEMED CLEARLY ANXIOUS TO CONVEY A WILLINGNESS
TO CONTINUE AND EXPAND BILATERAL ECONOMIC RELATIONSHIP TO EXTENT
POSSIBLE.
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